

P-421/EM-91-1002; P-421/EM-91-1000; P-421/EM-91-328 ORDER FINDING
FILING COMPLETE, SUSPENDING RATES, ALLOWING CONDITIONAL
IMPLEMENTATION OF SPECIFIED RATES, DENYING REQUEST TO WITHDRAW
PREVIOUS FILINGS, AND GRANTING DISCOVERY RIGHTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Cynthia A. Kitlinski
Dee Knaak
Norma McKanna

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Request of
U S WEST Communications, Inc. to
Restructure and Reprice Centron
and to Reprice and Restructure
PBX Trunk and Private Line Rates

ISSUE DATE: December 22, 1992

DOCKET NO. P-421/EM-91-1002

In the Matter of U S WEST
Communications, Inc.'s Filing to
Obsolete Centrex Rate Stability
Plan

Docket No. P-421/EM-91-1000

In the Matter of U S WEST
Centron Price Change

Docket No. P-421/EM-91-328

ORDER FINDING FILING COMPLETE,
SUSPENDING RATES, ALLOWING
CONDITIONAL IMPLEMENTATION OF
SPECIFIED RATES, DENYING REQUEST
TO WITHDRAW PREVIOUS FILINGS,
AND GRANTING DISCOVERY RIGHTS

PROCEDURAL HISTORY

I. Proceedings to Date

A. Company Filings

On December 20, 1991 U S WEST Communications, Inc. (U S WEST or the Company) filed a petition to restructure and reprice Centron, PBX Trunk, and Private Line services, and to eliminate Centrex service.¹ (Centrex service had not been offered to new customers since 1979, but was still available to customers who had been receiving it then.) On December 23, 1991 U S WEST filed notice of its intent to terminate the Centrex Rate Stability Plan, approved by the Commission in 1984, as contracts under the Plan expired.²

¹ In the Matter of the Request of U S WEST Communications, Inc. to Restructure and Reprice Centron and to Reprice and Restructure PBX Trunk and Private Line Rates, Docket No. P-421/EM-91-1002.

² In the Matter of U S WEST Communications, Inc.'s Filing to Obsolete Centrex Rate Stability Plan, Docket No. P-421/EM-91-1000.

In an Order dated April 9, 1992 the Commission consolidated both filings, found that they were governed by Minn. Stat. §§ 237.63, subd. 4c and 237.075, subds. 1 and 2 (1990), and found that they were not complete. Since the Company said the proposed rate changes were necessary to comply with Federal Communication Commission directives and current interpretations of the Modified Final Judgment, entered at the divestiture of AT&T, the Commission required the Company to make the filing whole within 45 days.

The Company made a new filing within 45 days, as required. The new filing, however, failed to include certain financial data required under the April 9 Order. The Commission again found the filing incomplete. The Commission also incorporated into the proceeding consideration of certain Centron price changes, which had gone into effect subject to Commission revision and were part of the base rates in the Company's new filing.³

On October 30, 1992 the Company made another filing, stated that this filing was intended to replace the earlier ones, and asked that the earlier filings be withdrawn.

B. Commenting Persons

On November 5, 1992 the Commission solicited comments on the Company's October 30 filing, including comments on its completeness and the appropriate procedural vehicle for acting on it. The Commission received comments from the following persons: U S WEST; the Minnesota Department of Public Service; Enhanced Telemanagement, Inc.; Centex Telemanagement, Inc.; the Minnesota Department of Administration; the Telecommunications Consortium of Olmsted County, made up of Olmsted County, Rochester Public Schools, and the City of Rochester; MCI Telecommunications, Inc.; the Minnesota Business Utility Users Council; and the City of Minneapolis.

C. Proceedings Before the Commission

The filing came before the Commission on December 15, 1992.

FINDINGS AND CONCLUSIONS

II. Issues Summary

At this point, the Company's filing raises the following issues:

- (1) Is the filing complete under applicable statutes, rules, and previous Commission Orders?

³ In the Matter of U S WEST Centron Price Change, Docket No. P-421/EM-91-328.

- (2) Should the Company be allowed to withdraw its two earlier filings?
- (3) What is the appropriate procedural vehicle for acting on the filing?
- (4) Should the proposed rate restructuring be allowed to go into effect in 60 days under Minn. Stat. § 237.075, subd. 1 (1990)?
- (5) Should the Company be allowed to implement two of its proposed rate changes on December 30, even if the Commission has not acted on the case as a whole?
- (6) Should the Commission continue to consider dockets P-421/EM-91-1000 and P-421/EM-91-328 as part of this proceeding?

These issues will be considered individually below.

III. Filing Accepted; Rates Suspended

Having examined the filing and having considered the comments filed by interested persons, the Commission finds that the October 30 filing substantially complies with the statute, Minn. Stat. §§ 237.63, subd. 4c (1990) and 237.075, subd. 1 (1990); applicable rules, Minn. Rules, parts 7810.8100 through 7810.8940; and earlier Commission Orders in this case. This is a finding as to form only; it implies no judgment on the merits of the filing.

Under Minn. Stat. § 237.075, subs. 1 and 2 (1990), the rate changes proposed by the Company become effective 60 days from filing, unless they are suspended by the Commission. The Commission finds that it cannot resolve all issues regarding the reasonableness of the proposed rates within this 60 day period and will suspend the proposed rates, with the exception of the proposal for contract pricing of Private Line and PBX Trunk services.

IV. Contested Case Ordered; Interim Discovery Rights Granted

The Commission agrees with the parties that this filing presents complex factual issues that require the full evidentiary development of contested case proceedings. By separate Order, the Commission has referred the filing to the Office of Administrative Hearings for contested case proceedings. That Office will control discovery procedures once it takes jurisdiction of the case.

In the meantime, the Commission will grant the Department of Administration's request for discovery rights and will extend discovery rights to all persons who have filed comments in the

case. The complexity of this filing, the magnitude of the rate changes proposed, and the proceeding's ten-month statutory time frame require giving interested persons early opportunities for discovery.

V. Earlier Filings Will Not Be Withdrawn

The Commission will deny the Company's request to withdraw its first two Centron filings. Those filings are the foundation for the October 30 filing. They demonstrate the Company's early thinking on restructuring and repricing Centron, PBX Trunk, and Private Line services; tracing the evolution of that thinking may be helpful at some point to the parties, the Administrative Law Judge, and the Commission.

Similarly, those filings were the basis for the Commission's first two Orders in this case. Those Orders developed the analytical framework that placed this case within the proper statutory context. They also identified the need to analyze the effect of the Company's incentive plan on the proposed restructuring. Those issues continue to be relevant to this proceeding. The Commission will therefore deny the Company's request to withdraw the earlier filings.

VI. Early Implementation of Specified Rate Reductions

The Company asked for early implementation of its proposal to offer contract pricing of Private Line and PBX Trunk services, agreeing to five conditions proposed by the Department of Public Service (the Department) in connection with early implementation. The Company said it needed to offer contract pricing immediately to remain competitive in portions of the Private Line and PBX Trunk market.

The conditions proposed by the Department and accepted by the Company are as follows:

- (1) The prices offered under early implementation, including contract prices with individual customers, may be changed prospectively in the final Order in this case;
- (2) During negotiations with potential contract customers, the Company will provide a written statement explaining that contract rates, terms, and conditions may be changed prospectively by the Commission's final Order;
- (3) The Company will provide the Department with complete copies of all contracts signed between early implementation and the final Order, together with any cost analyses requested by the Department;

- (4) The Company will not file any request to recoup any reduction in income resulting from early implementation;
- (5) Changes in Private Line and PBX Trunk pricing are not conditioned on Commission approval of proportional changes in the prices of other services or service elements.

The Commission believes the contract pricing proposed by the Company falls within the confines of reasonable ratemaking and pricing practice. The Commission believes the conditions accepted by the Company adequately protect the public interest in ensuring Commission oversight of final rates, as well as individual customers' interests in knowing that implementation rates are not final rates. Given these findings, the Commission finds it is in the public interest to allow early implementation of contract pricing.

VII. Consolidation of Related Filings Continued

The Commission's first Order in this case consolidated the Company's proposal to discontinue the Centrex Rate Stability Plan (Docket P-421/EM-91-1000) with this proceeding. The second Order consolidated a filing proposing changes to Centron base rates (Docket P-421/EM-91-328) with this proceeding. These three filings are closely related, and administrative efficiency requires that they be considered together. Their consolidation will continue.

ORDER

1. The October 30, 1992 filing of U S WEST Communications, Inc. to restructure and reprice Centron, PBX Trunk, and Private Line services, and to eliminate Centrex service, is accepted as being in proper form and substantially complete.
2. The operation of the proposed rate schedule, with the exception of the contract pricing discussed below, is hereby suspended under Minn. Stat. § 237.075, subd. 2 (1990), until the Commission has issued a final determination in this case.
3. The Company is authorized to implement contract pricing of Private Line and PBX Trunk services effective December 30, 1992, subject to the terms and conditions set forth in the text of this Order.
4. Persons who have filed comments in this proceeding may serve information requests on the Company. Information requests shall be answered within ten days of receipt.

5. The Company's request to withdraw its earlier filings in this proceeding is denied.
6. Dockets P-421/EM-91-1000 and P-421/EM-91-328 shall continue to be consolidated with this proceeding.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)